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SUBJECT: Argentina: Ambassador Promotes NGOs, U.S. Commercial
Presence, Military Cooperation in Neuquen Province

Summary

¶1. (SBU) Ambassador met with political, business and military leaders, NGOs, media, and Fulbright scholars during a May 22-23, 2008, visit to Argentina's southwestern province of Neuquen. Ambassador discussed the current political situation and U.S. corporate social responsibility efforts with Governor Jorge Sapag. He visited a youth soccer NGO dedicated to disadvantaged youth, and met with representatives from several other NGOs dedicated to improving civil society. Ambassador discussed provincial economic and political matters with leading local journalists, and U.S. higher education with former Fulbright scholars. Ambassador and the regional military commander discussed the excellent Argentine global peacekeeping efforts and U.S.-Argentine military relations. The visit received prominent and positive local media coverage. END SUMMARY.

Governor of Neuquen Jorge Sapag

¶2. (U) The Ambassador met May 22 with Governor Jorge Sapag, whose term began in December 2007. At the time of the visit, the province was experiencing heavy flooding, several hundred citizens were being evacuated, and provincial officials were monitoring the levels of its several dams. Sapag is from the Neuquen Popular Movement (MPN), the dominant provincial party founded in 1964 by Sapag's uncle, and historically aligned to the national Peronist Party of current President Cristina Fernandez de Kirchner). Also in attendance were the Neuquen Provincial Legislature's First Vice President Carlos Gonzalez and Second Vice President Graciela Muniz Saavedra.

¶3. (U) Neuquen enjoys a relatively strong economy, in large part bolstered by oil and gas reserves (representing two-thirds and one-quarter, respectively, of Argentina's total), and is Argentina's main hydroelectric producer, with five dams. Governor Sapag and his colleagues expressed strong support for the many U.S.-based companies and their corporate social responsibility efforts in the province, citing AES, Chevron, Duke Energy, oil-driller Pride International, Apache, and Wal-Mart. Sapag said that they are "good neighbors," noted their strong and growing investments, and said he hoped they would continue.

¶4. (SBU) Governor Sapag lamented that some of the GOA's policies that keep oil, gas and electricity prices far below world market levels had led to over-consumption and under-investment in these sectors. He also criticized the GOA's policy of maintaining high hydrocarbon export taxes. He said he has been raising this subject with GOA officials for five years and they have long promised policy

changes, but he is "still waiting to see them." Sapag said that Chevron has difficulty selling its oil domestically, as the three main domestic buyers, Shell, Esso, and YPF, effectively form what he called an "oligarchy," keeping prices down.

15. (SBU) Although he cited the strong gas, oil, and hydroelectric presence - and the potential for more - he also expressed his desire to diversify the Province's economy. He said he wanted to further increase Neuquen's potash extraction, which he said had great potential. Sapag said that the nearby Arroyito heavy water plant is one of the biggest in the world, is running at full capacity, and will support Argentina's planned Atucha II nuclear reactor in Buenos Aires Province, scheduled to be operational in 2011. He also cited the new dam project, Chihuidos II, to be built in the northern part of the province.

16. (SBU) Sapag indicated that high spending and debt accumulated by his predecessor Jorge Sobisch left the province dependent on the federal government for significant infrastructure spending. That is why he has cultivated closer ties with President Cristina Fernandez de Kirchner, for example, to fund part of the Chihuidos II dam. As an example of over spending, Sapag and his colleagues also cited the acquisition by the previous administration of Governor Sobisch of a \$50 million "information super highway" scheme. They expressed regret about its cost, that its capacity was far more than needed for their small province, and that only about 16% of its capacity was being used. Thus far, the infrastructure is only being used for police security cameras along highways, but has potential in the areas of education, telemedicine, e-government, communication in small towns, and video conferencing.

NGO youth soccer

17. (U) Ambassador visited a gathering of the Western Community Youth Soccer Association, a youth soccer NGO that targets disadvantaged and at-risk youth, promoting "healthy competition," "norms of conduct," and leadership. About 100 boys and girls were on hand, and the Ambassador spoke to many of them about their activities, and encouraged their continued involvement. He lauded parental involvement in this program (several parents from very humble backgrounds were present), spoke to coaches, and toured the community center where they gathered with the NGO's director, Federal Judge Antonio Labate.

Off-the-Record Press Event

18. (SBU) The Ambassador engaged in a frank, off-the-record discussion with two editors and one correspondent from the "Rio Negro," the Patagonia region's oldest and largest-selling daily. The journalists said that, although the province receives healthy income from its oil, gas, and electricity earnings, there was still a lot of inequality. They compared the 40-plus years of MPN party domination to Mexico's long-running Institutional Revolutionary Party. They also argued that the oil, gas and electricity dependent province was in need of diversification. The journalists said that provincial inflation was running at about 30%, far higher than the official national average of 10%. (This estimate of actual national inflation is in line with the estimates of private sector economists.)

19. (SBU) They said that a few years ago, then-Governor Sobisch had started what they described as a highly questionable scheme to begin a wine industry in the province, for which a few close associates secured province-backed loans. They noted that wine production was not common in this province and requires great expertise. They said that in recent years, Sobisch had also undertaken costly and unnecessary public works programs to court voters. These and other actions had contributed to the province's relatively high debt burden (now at about 2.5 billion pesos, or about \$800 million, in a province of only 550,000). The journalists said that Sapag's style is quite distinct from that of Sobisch. As Sapag grew up and attended private schools in Buenos Aires, and later worked with his then-Senator father, he is more sophisticated than Sobisch. They added that Sapag also had much more cordial relations with the

media.

¶10. (SBU) In response to questions, the Ambassador discussed the strong U.S. investment in the province, noting the positive contributions of U.S. companies, such as providing employment, training and provincial revenues. He said that U.S. investment also makes a great contribution to the national economy, that many U.S. firms have been here for almost 100 years, and that there are presently nearly 500 U.S. firms here, employing over 155,000 Argentines. He noted that Argentina is home to the regional headquarters of many if not most of U.S. companies for Spanish-speaking South America, and that many U.S. companies report that Argentina is quickly becoming one of the most important international, strategic locations for IT services due in large part to the human talent here. The Ambassador said that Argentina is also becoming Latin America's audiovisual and broadcasting capital, and in recent years, many U.S. media and entertainment companies have established their regional headquarters in Buenos Aires, including Google, MTV, Fox, and Turner.

¶11. (SBU) In response to a question on the USG strategy on free trade, whether it is a hemispheric, bilateral or global one, the Ambassador he said that we see actually these as mutually reinforcing, and that we are engaging at all three levels. Although the hemispheric Free Trade Area of the Americas has not prospered for various reasons, the U.S. has signed several bilateral free trade agreements with countries in the hemisphere and is active on the Doha agenda.

¶12. (SBU) The Ambassador and journalists also discussed the well-publicized September 2007 Argentine Supreme Court case that directly involved the "Rio Negro" daily itself. The Court ruled in favor of its 2002 suit charging that the former Sobisch administration had curtailed press freedom by barring it from state advertisements. This ruling also tackled, and in turn spawned a heated national debate about, the governments of Neuquen, the GOA, and other provinces' use of state-paid advertisements, a widely held practice in Argentina. The newspaper argued that Sobisch had withdrawn ads it would normally have placed in Rio Negro as reprisal for Rio Negro's publication of stories alleging that the administration had sought to bribe provincial legislators in exchange for their approval of Sobisch's "cronies" to fill vacancies on the provincial high court. While the Court pointed out that neither national nor international legislation nor jurisprudence obliges governments to allocate advertisements to certain media if it does not wish to, withdrawing or substantially reducing it in reaction to the publication of certain stories amounts to an indirect curtailment of press freedom.

Discussing U.S. Higher Education with Fulbrighters

¶13. (U) Ambassador hosted a roundtable discussion for four local Fulbright scholars from science and teaching disciplines, all of whom are now professors at the nearby Comahue University. They recounted their academic experiences, lauding what they described as the American educational system's promotion of creativity, problem-solving, and original thinking, which they said has contributed to the creativity of American society. They contrasted this to what they said was the general Argentine tendency towards "memorization." They noted the vast array of courses, activities, and facilities (e.g., computers) that were available to them in the U.S., which is generally not the case in Argentina. They also extolled the amount of networking, interaction, and "unplanned collaboration" that was the norm at American universities, and that they still use these contacts today in their academic work.

¶14. (U) The Fulbrighters said that this academic opportunity had granted them a time to reflect and to get a fresher outlook on their work. The scholars did note the high costs of American higher education, and said that some costs were not always covered by their Fulbright grants, and they had in some cases been obliged to work or seek other grants. They also cited the problems that some foreign students encounter obtaining visas. They all agreed that more academic exchanges were needed. Ambassador Wayne noted the Embassy's efforts to obtain more resources to support youth and teacher exchanges, especially for disadvantaged students, and that

such direct experience with the U.S. can be a positive antidote to the prevailing negative U.S. image in Argentina.

Discussions with Regional Military Commander

¶15. (SBU) Ambassador and U.S. Defense Attache attended a private dinner hosted by Brigadier General Hernan Gustavo Prieto Alemandi, Commander of the Army's Sixth Mountain Brigade, and which encompasses the Provinces of Neuquen and Rio Negro. Ambassador and General Prieto discussed the excellent state of US-Argentine military relations; Argentina's global peacekeeping roles in Haiti, Kosovo, Cypress; Argentina's close military relations with its neighbors, particularly Brazil and Chile; and the Neuquen region's recent flooding, for which General Prieto's brigade was providing assistance for affected civilians.

¶16. (SBU) General Prieto later continued these discussions with the U.S. Defense Attache. General Prieto mentioned his close working relationship with Governor Sapag and the General's desire to assist with one the Governor's key concerns: dealing effectively with annual flooding by constructing an evacuation center. General Prieto said that such an initiative required strong political support. The objective would be to have capacity for 500 people and also space for a command and control center. General Prieto also discussed his "soldiers to industry" initiative, a plan to partner the military with local educational institutions to raise what he said was the lagging educational levels of his soldiers, and to provide them -- and Argentine private sector -- more skills and career options. This initiative would also need the support of political leadership, and he also welcomed any U.S. Embassy support.

Neuquen's 24-hour Wal-Mart

¶17. (U) Ambassador visited Neuquen's Wal-Mart, which recently began 24-hour operations. It is the first Wal-Mart in Argentina to do so, and has the highest sales of all Wal-Mart locations in Argentina. Wal-Mart is the number one employer in Argentina among the nearly 500 U.S.-based companies here. The Ambassador highlighted the store's "Help Me Study" campaign, which promotes employee and customer contributions of school materials for disadvantaged students. Wal-Mart managers noted that a great amount of store stock is produced locally. They also said that the new 24-hour operations has been well-received by employees, unions, customers and local authorities.

Breakfast with NGO FundeSur - making a difference

¶18. (U) The Ambassador hosted a breakfast roundtable for representatives of the NGO "Foundation for the Development of Southern Argentina (FundeSur)," as well as those from FundeSur's umbrella network of smaller NGOs, "Enclave Solidario." FundeSur was created in 1990 by local citizens dedicated to improving education and civil society participation in the design and implementation of public policies in Patagonia, the five southernmost provinces of Argentina. FundeSur is also a member of several national and international networks involved in similar work. Participants described how they have created programs and networks with public and private sector organizations to strengthen civil society, improve public policies, and assist in the many areas where federal, provincial and local governments do not have the capacity to assist. Ambassador and NGO leaders agreed on a number of potential follow-on projects for Embassy-NGO cooperation.

WAYNE